

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6165**

**BILL NUMBER:** HB 1335

**NOTE PREPARED:** Jan 12, 2014

**BILL AMENDED:**

**SUBJECT:** High-Cost Case Management.

**FIRST AUTHOR:** Rep. Brown T

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill requires the Commissioner of the Department of Insurance (DOI) to apply for federal authorization of, and to implement, a high-cost management program for individuals who incur more than \$1,500,000 in claim costs under a health plan.

**Effective Date:** July 1, 2014.

**Explanation of State Expenditures:** *Summary:* Administering a high-cost case management program is expected to increase DOI expenditures by \$11.4 M between FY 2015 and FY 2019. The expenditures would be ongoing after FY 2019 and would likely continue to increase in future years. The table below summarizes the increase in near-term state expenditures by fiscal year.

| Year         | State Payment for Claims |
|--------------|--------------------------|
| FY 2015      | \$0                      |
| FY 2016      | \$0                      |
| FY 2017      | \$0.9 M                  |
| FY 2018      | \$3.4 M                  |
| FY 2019      | \$7.1 M                  |
| <b>Total</b> | <b>\$11.4 M</b>          |

The bill would also increase the workload of the DOI to process claims that are eligible for state payment. Based on the number of individuals who are estimated to qualify for program participation in the first five years of administration, it is expected the increase in workload could be accomplished with existing resource levels during at least the remainder of this biennium.

The cost of implementing a high-cost management program determined to best improve health outcomes in a cost-effective manner is undetermined at this time.

*Additional Information:* If approved by the federal Department of Health and Human Services (DHHS), high-cost case management program participation would be mandatory for individuals who incur more than \$1.5 M in lifetime claim costs.

Before the implementation of the Affordable Care Act (ACA), insurance companies could set maximum lifetime claim cost limits for insureds. Under the ACA, this practice will no longer be allowed. The total number of individuals with individual or group insurance who could incur more than \$1.5 M in lifetime claim costs is not known.

Prior to the ACA, individuals with chronic diseases or injuries who did not qualify for Medicaid or Medicare could have received insurance coverage through the Indiana Comprehensive Health Insurance Association (ICHIA). With the dissolution of ICHIA, these individuals will seek insurance in the private market and would be a likely population to participate in the high-cost case management program.

The annual state cost will vary depending on how quickly insureds in the state accrue \$1.5 M in claims after the effective date of the bill.

The State Personnel Department (SPD) reports that a total of three individuals amassed lifetime claims in excess of \$1.5 M on the state employee health plan, only one of whom amassed \$1.5 M in lifetime claims within five years of first participating in the health plan. Assuming there is no adverse selection in the state employee health plan, an estimated 294 state residents are estimated to experience lifetime claims sometime after the effective date of the bill, but only 97 of them are estimated to exceed \$1.5 M in lifetime claims within the first five years of coverage.

Between 2008 and 2012 a total of 15,550 unique individuals were enrolled in ICHIA. During this time, six participants amassed lifetime claims in excess of \$1.5 M. Three participants amassed \$1.5 M in claims by the third year (2010), one participant by the fourth year (2011), and two participants by the fifth year (2012). Over this five-year period, the total claims made by these six individuals totaled \$17.6 M, of which approximately \$8.6 M in claims were in excess of the \$1.5 M per capita threshold. If the state contributed 10% of the lifetime claims in excess of \$1.5 M per insured, the state per capita cost over the five-year period for these six people would be \$144,000.

Assuming the high-cost case management program would experience costs and participation similar to ICHIA, the state could expend \$11.4 M over the first five-year period of the program for 97 qualified individuals.

*Impact to DOI:* This bill will increase the workload of the DOI to administer the program. Based on the estimated number of individuals who would be eligible to participate in this program in the first five years, the increased workload is expected to be accomplished with existing resource levels at least during the

remainder of this biennium.

Beginning in the FY 2017 and FY 2018 biennium, the DOI could need additional funds and resources to administer this program, which could be supplied through new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:** Christy Tittle, SPD; Doug Stratton, ICHIA; Eric Adair, ICHIA; Census Data.

**Fiscal Analyst:** Bill Brumbach, 232-9559.